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1989/06/24

SECRET

EXCISE

SECRETARY'S MORNING SUMMARY FOR JUNE 24, 1989

1. CHINA

A. MILD REACTION TO US SANCTIONS

A FOREIGN MINISTRY SPOKESWOMAN STATED ON JUNE 22 THAT THE SANCTIONS ANNOUNCED BY THE UNITED STATES ON JUNE 20 ARE "UNWISE AND WILL GET NOWHERE," ACCORDING TO XINHUA. SHE NOTED CHINA "FIRMLY OPPOSES US GOVERNMENT INTERFERENCE...AND PRESSURE," ADDING THAT NEITHER SIDE SHOULD DO ANYTHING DETRIMENTAL TO BILATERAL RELATIONS.

BEIJING HAS POSTPONED THE PEACE CORPS PROGRAM; A NUMBER OF GOVERNMENT OFFICIALS HAVE BEEN ORDERED TO CANCEL PLANNED TRAVEL TO THE UNITED STATES.

COMMENT: THE SPOKESWOMAN'S REACTION--IN RESPONSE TO A QUESTION--IS STRONGER THAN THE EXPRESSION OF "PROFOUND REGRET" ISSUED AFTER THE SUSPENSION OF MILITARY RELATIONS, BUT IT WAS MADE AT THE SAME LOW LEVEL.

IS/FPC/CDR 11/12 Date: 8/30/93

MR Cases Only: EO Citations

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B. HARD-LINERS TAKE OVER PEOPLE'S DAILY

THE DIRECTOR AND EDITOR-IN-CHIEF OF THE PARTY'S OFFICIAL NEWSPAPER, THE PEOPLE'S DAILY, HAVE BEEN REPLACED, ACCORDING TO PRESS REPORTS. THE NEW DIRECTOR IS GAO DI, FORMERLY PARTY CHIEF IN JILIN PROVINCE AND RECENTLY VICE PRESIDENT OF THE CENTRAL PARTY SCHOOL. SHAO HUAZE, DIRECTOR OF THE PROPAGANDA DEPARTMENT UNDER THE PEOPLE'S LIBERATION ARMY [PLA] GENERAL POLITICAL DEPARTMENT AND EDITOR-IN-CHIEF OF THE PLA'S LIBERATION ARMY DAILY, WAS APPOINTED EDITOR-IN-CHIEF. SECURITY FORCES HAVE BEGUN TO ARREST JOURNALISTS WHO SUPPORTED PRO-DEMOCRACY PROTESTS OR REPORTED FAVORABLY ON THEM.

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2. CHINA: THE WORLD REACTS

CHINA'S EXTENSIVE INTERNATIONAL NETWORK OF POLITICAL AND ECONOMIC TIES, DEVELOPED OVER THE PAST DECADE, HAS BEEN DAMAGED. THE ALMOST UNIVERSAL REVULSION TO THE SUPPRESSION OF THE PRO-DEMOCRACY MOVEMENT AND THE ENSUING PURGE WILL MAKE IT DIFFICULT FOR BEIJING TO BEGIN AN EFFECTIVE SALVAGE OPERATION. MANY COUNTRIES, INCLUDING MOST OF CHINA'S MAJOR TRADING PARTNERS, THOUGH STOPPING SHORT OF BROAD ECONOMIC SANCTIONS, HAVE SUPPORTED THEIR CONDEMNATION WITH SPECIFIC PUNITIVE ACTIONS.

WESTERN PUNISHMENT

WESTERN COUNTRIES, TOGETHER AND INDIVIDUALLY, HAVE BACKED THEIR CONDEMNATION OF PRC SUPPRESSION WITH PUNITIVE ACTIONS SIMILAR TO THOSE OF THE UNITED STATES. BRITAIN, WEST GERMANY, AND SWITZERLAND HAVE SUSPENDED ARMS SALES TO CHINA, AND MOST WEST EUROPEAN COUNTRIES ARE SUSPENDING HIGH-LEVEL VISITS. SIMILAR ACTIONS HAVE BEEN TAKEN BY CANADA, AUSTRALIA, AND NEW ZEALAND. A JUNE 12 EC MINISTERIAL COUNCIL WARNED IT WOULD BE "IMPOSSIBLE TO MAINTAIN NORMAL RELATIONS"; PARIS MAY SEEK STRONGER

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ACTIONS AT MONDAY'S EC SUMMIT.

CHINA'S ASIAN NEIGHBORS: CAUTIOUS DISMAY

JAPAN, WORRIED THAT CRITICISM WILL DRIVE CHINA TOWARD MOSCOW, HAS BEEN RELATIVELY LOW-KEY BUT HAS DECIDED TO SUSPEND ECONOMIC ASSISTANCE FOR NOW. TOKYO HAS HINTED THE SUSPENSION MAY CONTINUE EVEN AFTER "STABILITY" IS RESTORED, BUT IT IS NOT PORTRAYING ITS ACTIONS AS ECONOMIC SANCTIONS. SEOUL HAS SHIED AWAY FROM ANY PUNITIVE ACTION; FOREIGN MINISTER CHOE EXPRESSED HOPE THAT RELATIONS WILL CONTINUE TO DEVELOP. SINGAPORE DENOUNCED THE VIOLENCE IN STRONG TERMS, BUT MOST ASIAN COUNTRIES HAVE AVOIDED HARSH CRITICISM.

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EAST ASIAN

PUBLIC REACTION, WHICH HAS CONSEQUENCES FOR CHINA'S ECONOMIC RELATIONS, HAS BEEN MORE CRITICAL.

ECONOMIC FALLOUT

MANY OF CHINA'S LARGEST TRADING PARTNERS ARE SUSPENDING DEVELOPMENT AID, CREDITS, AND SOFT LOANS WORTH SEVERAL HUNDRED MILLION DOLLARS. A SLOWDOWN IS ALREADY EVIDENT IN SOUTH KOREAN-PRC JOINT VENTURES. THERE IS WIDESPREAD AGREEMENT WITH THE US PROPOSAL TO HOLD OFF CONSIDERATION OF WORLD BANK AND ADB LOANS TO CHINA. THESE REACTIONS, COMBINED WITH PRIVATE BUSINESS UNCERTAINTY ABOUT CHINA'S

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STABILITY, WILL DEAL A SERIOUS BLOW TO CHINA'S
MODERNIZATION PLANS. EXISTING PROJECTS WILL PROBABLY
CONTINUE, BUT NEW INVESTMENTS WILL SUFFER.

MIXED SOVIET AND EAST EUROPEAN REACTION

GORBACHEV EXPRESSED "REGRET" WHILE IMPLYING HE DID NOT
AGREE THAT CHINESE STUDENTS WERE COUNTERREVOLUTIONARY.

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HUNGARY, POLAND, YUGOSLAVIA, AND
WEST EUROPEAN COMMUNIST PARTIES HAVE ALL BEEN SHARPLY
CRITICAL OF THE MILITARY CRACKDOWN AS AN AFFRONT TO
SOCIALISM. CHINA'S ONLY COMFORT HAS COME FROM CUBA AND
HARD-LINE REGIMES IN EASTERN EUROPE, WHICH HAVE
SYMPATHIZED WITH THE OFFICIAL CHINESE VIEW OF EVENTS.
CHINA RESPONDS

INITIAL REACTION OF THE PRC LEADERSHIP TO FOREIGN
CRITICISM WAS CYNICAL AND DISMISSIVE. DENG REPORTEDLY
SAID SANCTIONS MEANT NOTHING COMPARED TO THE SURVIVAL OF
THE PARTY. LI PENG AND OTHERS BELIEVE THE PULL OF CHINA'S
MARKET WILL CAUSE FOREIGNERS TO TURN A BLIND EYE TO ITS
REPRESSIVE REGIME.

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